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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 IPS GROUP, INC.,

12 Plaintiff,

13 v.

14 DUNCAN SOLUTIONS, INC., et al.,

15 Defendants.
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Case No.: 15-cv-1526-CAB (MDD)

**ORDER RE DEFENDANTS'
MOTION FOR ATTORNEY'S FEES**

[Doc. No. 266]

18 This matter is before the Court on Defendants' motion for attorneys' fees. The
19 motion has been fully briefed, and the Court deems it suitable for submission without oral
20 argument. The motion is granted in part and denied in part.

21 **I. Background**

22 Plaintiff IPS Group, Inc. ("IPS") filed this lawsuit alleging that Defendants Duncan
23 Solutions, Inc., and Duncan Parking Technologies, Inc. (together, "Duncan") infringed
24 United States Patent Numbers 7,854,310 (the "'310 Patent'"), and 8,595,054 (the "'054
25 Patent"). The '310 Patent claims a parking meter that is battery-operated and rechargeable
26 by solar-power. Both of the asserted independent claims under the '310 Patent required a
27 housing comprised of an intermediate panel set and a cover panel with buttons that operate
28 the parking meter. IPS alleged that Duncan's Liberty Meter infringed the '310 Patent. The

1 Court, however, granted Duncan’s motion for summary judgment of non-infringement,
2 finding that the Liberty Meter does not have a plurality of buttons on the cover of the meter
3 that operate the meter and that therefore, no reasonable jury could find that the accused
4 device has all of the limitations of the independent claims from the ‘310 Patent asserted by
5 IPS. The Court also held that there was no infringement under the doctrine of equivalents.
6 [Doc. No. 198.]

7 The ‘054 Patent also relates to parking meters. Specifically, the meter device of the
8 invention is solar powered, is capable of accepting cash and other means of payment, and
9 is designed so that it may be received within an existing housing base. IPS alleged that
10 Duncan’s Liberty Meter infringed Claim 1 of this patent. Duncan moved for summary
11 judgment of non-infringement, arguing that its Liberty Meter does not meet four limitations
12 of Claim 1. The Court held that disputes of fact precluded summary judgment on non-
13 infringement based on three of the limitations argued by Duncan. However, the Court
14 granted summary judgment based on the limitation that the lower portion of the device be
15 configured such that it is receivable within the housing base of the meter, finding that the
16 lower portion of the Liberty Meter was not receivable within the base because it has a
17 protrusion that is on the outside of the housing base. Thus, the Court concluded that no
18 reasonable jury could find that the limitation was met. [Doc. No. 258.]

19 Duncan now moves for a declaration that this case is exceptional and an award of its
20 attorney’s fees under 35 U.S.C. § 285. Alternatively, Duncan seeks its fees and expenses
21 pursuant Federal Rules of Civil Procedure 11 and 54(d)(2), and 28 U.S.C. § 1927.

22 **II. Attorney’s Fees under 35 U.S.C. § 285**

23 Section 285 of the Patent Act states that “[t]he court in exceptional cases may award
24 reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. Thus, to award fees,
25 the Court must find both that this case was exceptional, and that Defendants were the
26 prevailing parties. There is no dispute that Defendants were the prevailing parties. The
27 only question is whether this case was exceptional.
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1 “[A]n ‘exceptional’ case is simply one that stands out from others with respect to the
2 substantive strength of a party’s litigating position (considering both the governing law and
3 the facts of the case) or the unreasonable manner in which the case was litigated. District
4 courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their
5 discretion, considering the totality of the circumstances.” *Octane Fitness, LLC v. ICON*
6 *Health & Fitness, Inc.*, 134 S.Ct. 1749, 1756 (2014); *see also Highmark Inc. v. Allcare*
7 *Health Mgmt. Sys.*, 134 S. Ct. 1744, 1749 (2014) (“[T]he determination of whether a case
8 is ‘exceptional’ under § 285 is a matter of discretion.”). Factors relevant to this analysis
9 include “frivolousness, motivation, objective unreasonableness (both in the factual and
10 legal components of the case) and the need in particular circumstances to advance
11 considerations of compensation and deterrence.” *Octane Fitness*, 134 S.Ct. at 1756 n.6
12 (citation omitted). “[T]he amount of the attorney fees depends on the extent to which the
13 case is exceptional. In other words, the exceptionality determination highly influences the
14 award setting.” *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1344 (Fed. Cir. 2001).
15 Ultimately, “the aim of § 285 is to compensate a defendant for attorneys’ fees it should not
16 have been forced to incur.” *Kilopass Tech., Inc. v. Sidense Corp.*, 738 F.3d 1302, 1313
17 (Fed. Cir. 2013).

18 **A. The ‘310 Patent**

19 IPS’s litigation of its claim for infringement of the ‘310 Patent through summary
20 judgment was exceptional because its infringement contentions were objectively baseless
21 and unreasonable. “[A] party cannot assert baseless infringement claims and must
22 continually assess the soundness of pending infringement claims, especially after an
23 adverse claim construction.” *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306,
24 1328 (Fed. Cir. 2013) (affirming exceptional case finding). Both of the independent claims
25 asserted by IPS require that the surface of the cover panel to the meter have “a plurality of
26 buttons that operate the parking meter upon manipulation by a user.” As explained in the
27 Court’s summary judgment order, the Liberty Meter quite obviously does not have any
28 buttons on its cover panel. A cursory inspection of the exterior of the Liberty Meter would

1 have revealed this fact and should have caused IPS to determine that the Liberty Meter did
2 not meet this limitation of the ‘310 Patent. Indeed, this obvious deficiency with IPS’s
3 infringement claim was apparent in IPS’s infringement contentions that completely failed
4 to identify this claim limitation on the accused device. [Doc. No. 198 at 7.] Further IPS’s
5 opposition to the summary judgment advanced an argument it had not presented in its
6 infringement contentions or could reasonably be supported by the patent. The need for the
7 claim construction was the result of IPS’s expert’s tortured construction of the meaning of
8 the plain claim language.¹ [Doc. No. 198 at 7 n.3.]

9 Considering the totality of the circumstances surrounding IPS’s claim that Duncan
10 infringed the ‘310 Patent, this case stands out from others with respect to the strength of
11 IPS’s litigating position. That IPS’s claims of infringement of the ‘054 Patent were not so
12 frivolous as to warrant an exceptional case finding (see *infra*) does not save IPS from a
13 finding that these claims were exceptional. *See generally Therasense, Inc. v. Becton,*
14 *Dickinson & Co.*, Nos. C 04-2123 WHA, C 04-03327 WHA, C 04-03732 WHA, C 05-
15 03117 WHA, 2008 WL 3915967 (N.D. Cal. Aug. 21, 2008) (making exceptional case
16 determination for only one of several infringement claims made in lawsuit). IPS’s assertion
17 and continued litigation of its frivolous claim for infringement of the ‘310 Patent entitle
18 Duncan to its attorney’s fees related to that claim.

19 **B. The ‘054 Patent**

20 IPS’s claim for infringement of the ‘054 Patent does not merit an exceptional case
21 finding. The mere fact that the Court ultimately granted Duncan’s motion for summary
22 judgment of non-infringement is not enough. Unlike with the ‘310 Patent, whether the
23 Liberty Meter satisfied all of the limitations applicable to the asserted ‘054 Patent claim
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25 ¹ IPS contends that the Court’s need to construe certain terms in the ‘310 Patent is evidence that IPS’s
26 infringement claims were not frivolous. However, the only reason the Court needed to construe such
27 terms was because IPS argued for illogical and implausible constructions of those terms. [Doc. No. 198
28 at 7 n.4.] *Cf. Taurus IP*, 726 F.3d at 1327 (noting in affirming exceptional case finding by the district court
that the plaintiff’s proposed claim constructions “fall below the threshold required to avoid a finding of
objective baselessness”).

1 was not obvious, and IPS's infringement claim, while non-meritorious, was not frivolous
2 or unreasonable. Further, although IPS's litigation of this claim was zealous (and perhaps
3 over-zealous), considering the totality of the circumstances, it was not so unreasonable as
4 to warrant an award of fees on that ground. Accordingly, Duncan is not entitled to its
5 attorney's fees related to the defense of this claim.

6 **III. Attorney's Fees under 28 U.S.C. § 1927**

7 Pursuant to 28 U.S.C. § 1927, "[a]ny attorney. . . who multiplies the proceedings in
8 any case unreasonably and vexatiously may be required by the court to satisfy personally
9 the excess costs, expenses, and attorneys' fees reasonably incurred because of such
10 conduct." 28 U.S.C. § 1927. The Federal Circuit applies the law of the regional circuit
11 court when reviewing a district court's decision awarding or denying fees under section
12 1927. *Phonometrics, Inc. v. Westin Hotel Co.*, 350 F.3d 1242, 1246 (Fed. Cir. 2003).
13 Under Ninth Circuit law, section 1927 sanctions must be supported by a finding of bad
14 faith or recklessness. *Lahiri v. Universal Music & Video Distrib. Corp.*, 606 F.3d 1216,
15 1219 (9th Cir. 2010). "Bad faith is present when an attorney knowingly or recklessly raises
16 a frivolous argument, or argues a meritorious claim for the purpose of harassing an
17 opponent." *In re Keegan Mgmt. Co., Sec. Litig.*, 78 F.3d 431, 436 (9th Cir. 1996) (citation
18 omitted). Although it did not expressly say so, the Supreme Court at least implied that the
19 requirements for awarding sanctions under this provision are more stringent than the
20 requirements of 35 U.S.C. § 285. *See Octane Fitness*, 134 S.Ct. at 1756-57 ("Under the
21 standard announced today, a district court may award fees [under 35 U.S.C. § 285] in the
22 rare case in which a party's unreasonable conduct—while not necessarily independently
23 sanctionable—is nonetheless so 'exceptional' as to justify an award of fees.").

24 In this case, although IPS's infringement claims were non-meritorious and, with
25 respect to the '310 Patent, frivolous, the Court is not persuaded that IPS, or its attorneys,
26 acted with bad faith or recklessness in this litigation. Accordingly, Duncan is not entitled
27 to fees under 28 U.S.C. § 1927.
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1 **IV. Rule 11/Inherent Powers**

2 Duncan half-heartedly argues that IPS's conduct also warrants a fee award pursuant
3 to Federal Rule of Civil Procedure 11 or the Court's inherent powers. The Court declines
4 to award any additional fees or expenses pursuant to either rule or provision.

5 **V. Disposition**

6 In light of the foregoing, Duncan's motion is **GRANTED** insofar as it seeks an
7 exceptional case finding and attorney's fees and expenses related to Duncan's defense of
8 IPS's claims of infringement of the '310 Patent, and **DENIED** in all other respects. Duncan
9 shall file a request for fees and expenses related exclusively to its defense of the '310 Patent
10 infringement claims on or before **June 4, 2018**. IPS may file an opposition to the amount
11 of fees requested on or before **June 18, 2018**, and Duncan may file a reply on or before
12 **June 25, 2018**. The Court will then issue an order as to the amount of the award in due
13 course.

14 It is **SO ORDERED**.

15 Dated: May 14, 2018



Hon. Cathy Ann Bencivengo
United States District Judge